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SIPDIS

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FOR EAP/J, EAP/EP AND WHA
STATE PASS USTR FOR CUTLER/NEUFFER
USTR ALSO FOR BEEMAN/MEYERS
PARIS FOR USOECD
GENEVA FOR USTR

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SUBJECT: MOFA OFFICIAL ON REINVIGORATING APEC

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¶1. (SBU) Summary: Japan agrees, in principle, on the need to institutionally strengthen APEC but believes more discussion is needed to determine the most effective way forward, according to Japan's APEC Senior Official from the Ministry of Foreign Affairs (MOFA). Acknowledging the prospect of pressure to bring India into APEC once the moratorium on new membership ends, the official speculated that one approach to the challenge of APEC expansion might be to consider a variety of new voting procedures, such as World Bank "constituency" voting, to avoid a further weakening of the organization. He also agreed that having a permanent secretariat would be one way to keep the organization focused but

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indicated that Japan has yet to put together a formal position on APEC reorganization. End Summary

¶2. (SBU) Econcouns called on incoming MOFA APEC Senior Official Masashi Mizukami to welcome him to his new position and to open a dialogue on APEC issues in advance of next month's Senior Officials' Meeting (SOM) in Vietnam. Mizukami, one of the Ministry's top Spanish language experts, serves concurrently as APEC Senior Official and Deputy Director General of the Bureau for Latin American and Caribbean Affairs. In this dual role, Mizukami has a good perspective on both halves of the APEC membership. Previously, Mizukami served at Japan's Permanent Mission to the UN where he covered ECOSOC affairs, an experience that, he admitted, left him frustrated with large, unwieldy international economic institutions.

Need to "Stabilize" APEC as an Institution

¶3. (SBU) Mizukami said Japan "sympathizes" with recent U.S. and Australian proposals to strengthen the APEC Secretariat but had yet to put together a specific proposal of its own. Speaking informally, he observed that APEC should operate more like the G-8, which strikes the right balance between achieving "tangible results" and focusing on the specific interests of successive host nations (e.g. Russian energy or British interest in sub-Saharan Africa.) APEC, by contrast, with its wide variety of members, ends up drifting in different directions depending on the particular interests of each year's host economy. A permanent secretariat, Mizukami asserted, would help APEC "stabilize" its agenda.

¶4. (SBU) However, before Japan could agree to any specific proposal on reorganization, it hoped for a detailed discussion of how the new structure would be financed. "We need a process," he emphasized, "that systematically works through the details." Although he did not categorically rule out an increased Japanese contribution to a reinvigorated organization, Mizukami noted that the APEC calendar and GOJ's budget cycle were out of sync so that, without Prime Ministerial-level commitment to a supplemental budget request, or taking money from a related account, the GOJ would be unable to commit additional resources to APEC before FY-2008 (i.e. April 2008.) Normally, ministries' budget requests for the FY beginning the following April need to be into MOF at the end of August each year. Nevertheless, he will be discussing APEC with his MOFA superiors hinting that he may have more concrete ideas on strengthening the organization at the November leaders' meeting.

Expanded Membership Brings Challenges

¶5. (SBU) Mizukami also offered informal thoughts on the implications of expanded APEC membership should the current moratorium expire next year. He noted with a smile that his dual responsibility for Latin America had opened him to entreaties for Japanese support for APEC membership from a number of countries in the region, including Panama and Colombia. He said he demurred, of course, but emphasized this was a challenge APEC would have to face sooner or later.

¶6. (SBU) The biggest challenge though was India, whose accession, if agreed to, would have immediate implications for how the organization functions. Mizukami stated that an explicit condition of India's accession should be its agreement not to block future consensus on entry of its South Asian neighbors. This led him to muse briefly on whether APEC should consider the possibility of introducing constituent-based voting procedures as at the World Bank

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(i.e., small countries in a given group are represented by one of them, perhaps on a rotating basis, depending on the issues up for decision; the summit would be open to all members.) Such a variety of voting mechanisms would, he asserted, allow the organization to expand its membership without fatally damaging its effectiveness.

¶7. (SBU) Comment: Mizukami's past experience working with ECOSOC clearly left him disillusioned about the effectiveness of large, unwieldy international economic organizations that lack clear centralized direction. Although in this meeting he was largely presenting his personal views and not considered MOFA positions, Mizukami is new to the APEC community and the fact that he is willing to consider new approaches to the organization's challenges bodes well for productive engagement in future discussions with USG officials.

SCHIEFFER